

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 OMB-01 EB-07 TRSE-00 AID-05 ABF-01

INRE-00 SSO-00 NSCE-00 SS-15 NSC-05 SP-02 L-02 PRS-01

CIAE-00 INR-07 NSAE-00 /056 W
----- 052528

O 071415Z MAY 75

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC IMMEDIATE 2700

C O N F I D E N T I A L COLOMBO 1446

EO 11652: GDS

TAGS: PFOR, US, CE

SUBJ: FINANCE MINISTER'S CHARGES: PROPOSED EMBASSY
STATEMENT

REFS: A) COLOMBO 1435; B) COLOMBO 1436; C) COLOMBO 1445

1. SUMMARY: I TOLD ACTING PRIME MINISTER MAY 7 I WAS
SURPRISED THAT, IN VIEW MY DEMARCHE PREVIOUS DAY, HE HAD NOT
INTERVENED IN PARLIAMENTARY DEBATE TO
STATE THAT I HAD CATEGORICALLY DENIED FINANCE MINISTER
PERERA'S ALLEGATIONS RE IRREGULAR USE OF PL-480
RUPEES. CONTINUED PUBLIC ATTENTION THIS ISSUE UNDER-
SCORED NEED FOR CORRECTIVE STATEMENT AND, IF GSL
STATEMENT NOT FORTHCOMING SOON, I WAS CONSIDERING
ISSUING EMBASSY STATEMENT. SENANAYEKE THOUGHT THIS
MIGHT BE USEFUL AS DID PRIME MINISTER'S SECRETARY,

WHO, HOWEVER, STRESSED THAT PROBLEM HAD ARISEN
THROUGH REMARKS OF ONE MAN AND SHOULD NOT BE TREATED
AS ISSUE BETWEEN OUR TWO GOVERNMENTS.
DEPARTMENTS COMMENTS ON PROPOSED EMBASSY
STATEMENT REQUESTED. END SUMMARY.

2. I TELEPHONED ACTING PRIME MINISTER
MAITHRIPALA SENANAYEKE THIS MORNING AND TOLD
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HIM I HAD READ PRESS REPORTS RE EXCHANGE IN

PARLIAMENT YESTERDAY BETWEEN FINANCE MINISTER PERERA AND LEADER OF OPPOSITION JAYEWARDENE RE ALLEGED IMPROPER USE OF US-OWNED RUPEES (REFTEL C). I RECALLED I HAD ASKED TO SEE HIM PREVIOUS DAY PRIOR TO CONVENING OF PARLIAMENT IN ANTICIPATION ISSUE MIGHT BE AIRED THERE. WAS SURPRISED TO NOTE THAT DESPITE MY DEMARCHE, HE HAD NOT INTERVENED IN DEBATE AT LEAST TO INDICATE THAT I HAD CATEGORICALLY DENIED FINANCE MINISTER'S ALLEGATIONS.

3. SENANAYEKE EXPLAINED RATHER WEAKLY THAT HE HAD ARRIVED IN PARLIAMENT AFTER JAYEWARDENE HAD DIRECTED QUESTION AT PERERA AND CORRECT PROCEDURE WAS FOR PERERA TO REPLY. (MY GUESS IS THAT SENANAYEKE, WHO IS NOT NOTED FOR HIS FORTITUDE, CHOSE NOT TO INVOLVE HIMSELF IN PERERA-JAYEWARDENE EXCHANGE.)

4. I TOLD SENANAYEKE THAT CONTINUED PUBLIC ATTENTION TO THIS ISSUE UNDERScoreD NEED FOR SOME TYPE CLARIFYING STATEMENT. IF GSL STATEMENT WAS EXCESSIVELY DELAYED, I WAS CONSIDERING ISSUING STATEMENT THROUGH EMBASSY. SENANAYEKE SAID HE WOULD GIVE SOME THOUGHT AS TO WHETHER EMBASSY STATEMENT WOULD BE ADVISABLE FROM HIS VIEWPOINT AND LET ME KNOW LATER.

5. HE TELEPHONED IN EARLY AFTERNOON TO SAY THAT HE HAD CONCLUDED THAT, IN VIEW OF TIME LAG UNTIL PRIME MINISTER RETURNS MAY 17, STATEMENT FROM EMBASSY MIGHT BE HELPFUL AND SUGGESTED GENERAL LINE IT MIGHT TAKE. I THANKED HIM FOR HIS SUGGESTIONS AND EMPHASIZED THAT ANY STATEMENT EMBASSY MIGHT MAKE SHOULD NOT BE CONSIDERED AS SUBSTITUTE FOR GSL STATEMENT.

6. IN SEPARATE CONVERSATION LATER WITH DHARMASIRI PIERIS, SECRETARY TO PRIME MINISTER AND MAN WHOSE JUDGMENT I RESPECT, PIERIS STRESSED CONFIDENTIAL

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THAT WE SHOULD RECOGNIZE THAT THIS PROBLEM HAD ARISEN BECAUSE OF REMARKS OF ONE MAN. IT SHOULD NOT BECOME ISSUE BETWEEN OUR TWO GOVERNMENTS. HE SAID HE HAD BEEN INSTRUMENTAL IN CONTACTING SOME NEWSPAPERS AND HAD ASKED THEM TO PLAY DOWN MATTER WHICH HE HOPED WOULD DIE OUT SOON. HE AGREED IT MIGHT BE USEFUL FOR EMBASSY TO ISSUE STATEMENT BUT SUGGESTED THAT IT NOT BE PROVOCATIVE IN TONE

NOR GIVE PERERA OPPORTUNITY FOR COUNTER-ATTACK.
IT WAS UNLIKELY PRIME MINISTER WOULD BE WILLING TO
ISSUE STATEMENT FROM LONDON, WHERE SHE IS SCHEDULED
ARRIVE MAY 10. SHE WOULD WISH TO WEIGH ALL
FACTS UPON HER RETURN. PIERIS SUGGESTED THAT
I DISCUSS ISSUE, INCLUDING PROPOSED GSL STATE-
MENT, WITH PRIME MINISTER SHORTLY AFTER SHE
COMES BACK.

7. COMMENT: GIVEN SENANAYEKE'S RELUCTANCE TO
ACT ON HIS OWN, AND PROBLEM OF DISTANCE AND
TIMING INVOLVED IN OBTAINING STATEMENT FROM
PRIME MINISTER BEFORE SHE RETURNS, I SEE MERIT
IN ISSUING EMBASSY STATEMENT IN ORDER PUT OUR
FACTUAL POSITION CLEARLY ON RECORD. WOULD
APPRECIATE ANY COMMENTS DEPARTMENT MIGHT HAVE
ON SUBSTANCE OR TONE OF FOLLOWING TEXT, WHICH
IS DESIGNED TO BE FACTUAL BUT UNCONTENTIOUS.
UNLESS ADVISED TO CONTRARY, WOULD PROPOSE TO CHECK OUT
STATEMENT IN ADVANCE WITH SENANAYEKE AND
ISSUE IT FOR INCLUSION IN SRI LANKA PRESS
FRIDAY, MAY 9. WORDING IS ILLUSTRATIVE AND
MAY BE REVISED AS SITUATION WARRANTS. WOULD
APPRECIATE DEPARTMENTS COMMENTS BY OPENING
OF BUSINESS (COLOMBO TIME) MAY 8.

8. BEGIN PROPOSED TEXT: "THE AMERICAN EMBASSY
IN SRI LANKA ISSUED THE FOLLOWING OFFICIAL
STATEMENT TODAY:

"THE EMBASSY OF THE UNITED STATES OF AMERICA HAS
NOTED RECENT STATEMENTS ATTRIBUTED BY THE PRESS
AND RADIO TO THE MINISTER OF FINANCE
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OF THE REPUBLIC OF SRI LANKA, DR N.M. PERERA.
DR PERERA IS REPORTED TO HAVE CHARGED THE
UNITED STATES WITH EXCESSIVE WITHDRAWALS FROM
ITS PL-480 RUPEE HOLDINGS IN THE CENTRAL BANK
OF CEYLON, TO HAVE IMPLIED THAT THE PURPOSE OF
THOSE LARGE WITHDRAWALS WAS TO SUPPORT THE
OPPOSITION IN SRI LANKA, AND TO HAVE WARNED THE
UNITED STATES NOT TO INTERFERE IN THE INTERNAL
AFFAIRS OF SRI LANKA.

"IF THE MINISTER OF FINANCE WAS ACCURATELY
REPORTED, THE EMBASSY TAKES EXCEPTION TO HIS
STATEMENTS, PARTICULARLY HIS ALLEGATIONS OF
UNITED STATES INVOLVEMENT IN THE INTERNAL POLITICAL
AFFAIRS OF SRI LANKA.

"THE EMBASSY WISHES TO SET FORTH THE FOLLOWING FACTS:

-- UNITED STATES GOVERNMENT-OWNED RUPEES DERIVING FROM LOAN REPAYMENTS BY THE GOVERNMENT OF SRI LANKA ARE DEPOSITED IN A US GOVERNMENT ACCOUNT IN THE CENTRAL BANK OF CEYLON;

-- IN ACCORDANCE WITH THE DIRECTIVES OF THE TREASURY OF THE UNITED STATES, SOME OF THESE FUNDS ARE FROM TIME TO TIME TRANSFERRED TO TIME DEPOSITS IN COMMERCIAL BANKS TO DRAW COMMERCIAL INTEREST;

-- AVERAGE MONTHLY AMERICAN WITHDRAWALS FROM THE CENTRAL BANK FOR EMBASSY OPERATING EXPENSES ARE RS. 850,000, WITH MANY MONTHS RUNNING AT RS. 1,000,000;

-- IN APRIL THE EMBASSY WITHDREW RS. 1,000,000 FOR NORMAL OPERATING EXPENSES AND RS. 1,000,000 TO DEPOSIT IN A COMMERCIAL BANK TO EARN COMMERCIAL INTEREST;

-- THAT SUM OF RS. 1,000,000 CONTINUES TO
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REST IN A COMMERCIAL BANK;

-- THE EMBASSY INITIALLY REQUESTED RS. 2,500,000 FOR DEPOSIT IN A COMMERCIAL BANK, BUT THE CENTRAL BANK REPLIED IT COULD PROVIDE FROM CASH ON HAND ONLY RS. 1,000,000 AND ASKED FOR MORE TIME TO RELEASE THE REMAINING RS. 1,500,00. THE EMBASSY AGREED AND A SHORT WHILE LATER INFORMED THE CENTRAL BANK THAT THE REMAINING RS. 1,500,000 WERE NOT DESIRED AT THAT TIME.

"SENIOR OFFICERS OF THE EMBASSY DISCUSSED THE FOREGOING FACTUAL SITUATION WITH THREE SENIOR OFFICIALS OF THE GOVERNMENT OF SRI LANKA ON APRIL 21 AND 23 FOLLOWING THE APPEARANCE OF DR. PERERA'S STATEMENT IN MORE GENERAL FORM IN THE PRESS ON APRIL 21. IT IS THEREFORE REGRETTABLE THAT PUBLIC ALLEGATIONS ABOUT THE UNITED STATES WERE MADE LATER WITHOUT FURTHER CONSULTATIONS WITH THE AMERICAN EMBASSY.

"THE AMERICAN AMBASSADOR, MR. CHRISTOPHER VAN HOLLEN, HAS DISCUSSED THESE UNSUBSTANTIATED CHARGES WITH THE ACTING PRIME MINISTER, MR. MAITHRIPALA SENANAYEKE. HE RECALLED THAT HE HAD EMPHASIZED ON SEVERAL AND WISHED TO REITERATE THAT THE UNITED STATES CONDUCTED GOVERNMENT-TO-GOVERNMENT RELATIONS WITH THE GOVERNMENT OF SRI LANKA. THE UNITED STATES, HE SAID, DID NOT SUPPORT ANY POLITICAL PARTY OR GROUP NOR DID IT INVOLVE ITSELF IN THE INTERNAL AFFAIRS OF SRI LANKA.

"THE EMBASSY WISHES TO AFFIRM ITS CONFIDENCE THAT THIS INCIDENT WILL HAVE NO IMPACT ON THE CONTINUATION OF THE WARM AND FRIENDLY RELATIONS THAT EXIST BETWEEN THE UNITED STATES AND THE REPUBLIC OF SRI LANKA." END PROPOSED STATEMENT.

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VAN HOLLEN

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